



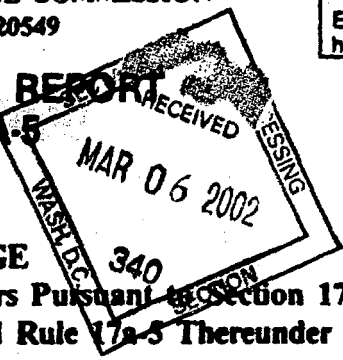
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



FACING PAGE
**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/01 **AND ENDING** 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

W.E.Nightingale Brokerage Services Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1425 Western Ave.

Seattle WA 98101

(No. and Street)

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Thomas F Flynn

732-842-9450

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Conroy Smith & Co

(Name — if individual, state last, first, middle name)

385 Prospect Ave

Hackensack

NJ

07601

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 22 2002
THOMSON
FINANCIAL

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**Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).*

3/21/02
[Signature]

OATH OR AFFIRMATION

I, Walter E. Nightingale, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of W.E.Nightingale Brokerage Services Inc., as of December 31, 19x2001 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

Signature

President

Title

Notary Public

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Financial Condition~~ CASH FLOWS
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

W. E. NIGHTINGALE BROKERAGE
SERVICES, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2001 AND 2000





CONROY, SMITH & CO.

certified public accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors

W. E. Nightingale Brokerage Services, Inc.

We have audited the accompanying statements of financial condition of W. E. Nightingale Brokerage Services, Inc. as of December 31, 2001 and 2000 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W. E. Nightingale Brokerage Services, Inc. as of December 31, 2001 and 2000, and the results of its operations, changes in stockholder's equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in supplementary schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole, and in conformity with the rules of the Securities and Exchange Commission.

Certified Public Accountants

February 5, 2002
New York, NY

W. E. NIGHTINGALE BROKERAGE SERVICES, INC.

STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2001 AND 2000

ASSETS

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents	\$20,491	\$22,722
Receivables - clearing broker	3,322	5,778
Advance to shareholder	<u>13,840</u>	<u>1,840</u>
Total assets	<u>\$37,653</u>	<u>\$30,340</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

Accounts payable	\$ 3,500	\$ 3,500
Due to related party	<u>3,500</u>	<u>-</u>
	<u>\$ 7,000</u>	<u>\$ 3,500</u>

Stockholder's equity:

Capital stock, (\$1 par value, 1,000 shares authorized, 1,000 shares issued and outstanding)	\$ 1,000	\$ 1,000
Additional paid-in-capital	7,200	7,200
Retained earnings	<u>22,453</u>	<u>18,640</u>

Total stockholder's equity	<u>\$30,653</u>	<u>\$26,840</u>
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Total liabilities and stockholder's equity	<u>\$37,653</u>	<u>\$30,340</u>
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See the accompanying notes to financial statements.



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Revenues:		
Commission income	\$49,347	\$ 88,486
Other income	<u>8,395</u>	<u>13,388</u>
Total revenues	<u>\$57,742</u>	<u>\$101,874</u>
Expenses:		
Clearance fees	\$21,551	\$ 34,846
Office	19,488	24,754
Communications	2,213	15,018
Regulatory fees	1,369	554
Professional fees	7,910	12,266
Insurance	<u>1,398</u>	<u>-</u>
Total expenses	<u>\$53,929</u>	<u>\$ 87,438</u>
Net income	<u>\$ 3,813</u>	<u>\$ 14,436</u>

See the accompanying notes to financial statements.



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2000	1,000	\$7,200	\$ 4,204	\$12,404
Net income	<u>—</u>	<u>—</u>	<u>14,436</u>	<u>14,436</u>
Balance, December 31, 2000	1,000	\$7,200	\$18,640	\$26,840
Net income	<u>—</u>	<u>—</u>	<u>3,813</u>	<u>3,813</u>
Balance, December 31, 2001	<u>1,000</u>	<u>\$7,200</u>	<u>\$22,453</u>	<u>\$30,653</u>

See the accompanying notes to financial statements.



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>Cash Flows From Operating Activities</u>		
Net income	\$ 3,813	\$14,436
Adjustments to reconcile net income to net cash used by operating activities:		
Increase in accounts payable	-	3,059
Decrease (increase) in accounts receivable	2,456	(4,287)
(Increase) in advances to shareholder	(12,000)	(40)
Increase in due to related party	<u>3,500</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(\$ 2,231)</u>	<u>\$13,168</u>
(Decrease) increase in cash	<u>(\$ 2,231)</u>	<u>\$13,168</u>
Cash and cash equivalents, January 1	<u>22,722</u>	<u>9,554</u>
Cash and cash equivalents, December 31	<u>\$20,491</u>	<u>\$22,722</u>

See the accompanying notes to financial statements.



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Description of Business

The company is an introducing broker and has a standard agreement with its clearing broker, all securities are introduced and cleared on a fully disclosed basis through the clearing broker.

Securities Transactions

Securities transactions are recorded on a settlement date basis, generally the third business day following the transaction date; however, transactions are reviewed on a trade-date basis for significant changes.

Income Taxes

The company has elected S corporation status for federal income tax purposes, whereby the corporate income or loss is reported on the personal return of the shareholder. Provision has been made for corporate taxes imposed by other taxing jurisdictions.

Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

W.E. Nightingale's financial instruments that are potentially exposed to concentrations of credit risk consists primarily of cash, securities and accounts receivable. The company places its cash and securities with quality financial institutions. The company's accounts receivable consists of an amount due from their clearing broker. As a consequence, concentration of credit risk is limited.



W.E. NIGHTINGALE BROKERAGE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 2. Net Capital Requirements

The company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2001, the company had net capital of \$16,440 which was \$11,440 in excess of its required net capital. The company's net capital ratio was .43 to 1.



SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT OF 1934

AS OF DECEMBER 31, 2001



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER
SECURITIES AND EXCHANGE COMMISSION RULE 15c3-1AS OF DECEMBER 31, 2001Net Capital

Total ownership equity from Statement of Financial Condition	<u>\$30,653</u>
Total capital	\$30,653
Deductions and/or charges:	
Non-allowable assets:	
Shareholder advance	<u>13,840</u>
Net capital before haircuts on securities	\$16,813
Haircuts on securities:	
Trading and investment securities:	
Exempted securities	<u>373</u>
Net capital	<u>\$16,440</u>

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 466</u>
Minimum dollar net capital required	<u>\$ 5,000</u>
Excess net capital	<u>\$11,440</u>

Computation of Aggregate Indebtedness

Total A.I. liabilities	<u>\$ 7,000</u>
Percent of aggregate indebtedness to net capital	<u>43</u>



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.

SCHEDULE OF COMPUTATION OF RESERVE REQUIREMENTS
UNDER EXHIBIT A OF SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

AS OF DECEMBER 31, 2001

The firm is engaged in a general securities business and carried no customer accounts on its books. All customer transactions are cleared through another stock brokerage firm on a fully disclosed basis.



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.

SCHEDULE RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
UNDER SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

AS OF DECEMBER 31, 2001

The firm is engaged in a general securities business and carried no customer accounts on its books. All customer transactions are cleared through another stock brokerage firm on a fully disclosed basis and the firm does not have possession of customer securities.



W. E. NIGHTINGALE BROKERAGE SERVICES, INC.RECONCILIATION OF COMPUTATION OF NET CAPITAL
UNDER SECURITIES AND EXCHANGE COMMISSION RULE 15C3-1AS OF DECEMBER 31, 2001

	Unaudited <u>Filing</u>	Audited <u>Filing</u>
Total capital	\$30,653	\$30,653
Deductions:		
Non-allowable assets and haircuts on securities	<u>14,213</u>	<u>14,213</u>
Net capital	<u>\$16,440</u>	<u>\$16,440</u>

There are no material differences between the computation presented above and the firms X-17a(5) Part II(a) filing.





CONROY, SMITH & CO.

certified public accountants

Board of Directors

W. E. Nightingale Brokerage Services, Inc.

We have audited the financial statements of W. E. Nightingale Brokerage Services, Inc. for the year ended December 31, 2001, and have issued our report thereon dated February 5, 2002. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of W. E. Nightingale Brokerage Services, Inc. taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5 under the Securities Exchange Act of 1934 and should not be used for any other purpose.


Conroy, Smith & Co.

February 5, 2002
New York, NY

